Code on Wages (Central) Rules, 2026

Key Employer Takeaways and Practical Impact

On 8 May 2026, the Ministry of Labour and Employment notified the Code on Wages (Central) Rules, 2026 (*"2026 Rules"*) vide G.S.R. 343(E), published in the Gazette of India Extraordinary, with immediate effect. Enacted under the Code on Wages, 2019, the 2026 Rules supersede seventeen sets of legacy rules spanning from 1937 to 2021, including the Payment of Wages (Procedure) Rules, 1937, the Minimum Wages (Central) Rules, 1950, the Payment of Bonus Rules, 1975, and the Equal Remuneration Rules, 1976, and consolidate in a single instrument the procedural framework governing minimum wages, floor wages, payment of wages, payment of bonus, and equal remuneration.

1. Minimum Wages — A Unified Calculation Methodology

The 2026 Rules codify, for the first time in a consolidated instrument, the manner of calculating minimum wages across time bases: the daily rate divided by 8 yields the hourly rate, and multiplied by 26 yields the monthly rate, with factors of one half and above rounded up and factors below one half ignored. Where a working week is less than six days, the hourly rate so derived is used to compute the applicable daily rate. The maximum wage period applicable for minimum wage purposes is expressly fixed as the month.

2. Variable Dearness Allowance — Biannual Revision

The cost of living allowance and the cash value of concessions in respect of essential commodities must now be computed twice a year, before 1 April and before 1 October, to revise the Variable Dearness Allowance payable to employees on minimum wages, based on the Average Consumer Price Index for Industrial Workers published by the Labour Bureau. This provision operationalises the living wage mechanism under the Code and is of direct relevance to all Central sphere establishments in scheduled employments.

3. Floor Wage — Periodic Revision at Five Year Intervals

The floor wage must be fixed by the Central Government in consultation with the Central Advisory Board and the State Governments, taking into account minimum living standards including food, clothing, and housing. The Rules provide that revision ordinarily shall not exceed intervals of five years, with periodic adjustments for cost of living variations in between. No minimum wage notified by any State Government may fall below the floor wage, making this provision a floor level protection mechanism with a direct bearing on State level wage fixation exercises.

4. Working Hours, Rest Days, and Overtime

The normal working day is fixed at 8 hours for daily rated employees, with total weekly working hours not to exceed 48 hours for those on other wage periods. An employee working on a rest day who is given a substituted rest day must be paid at the overtime rate for the rest day worked, and no substitution may result in more than 10 consecutive days of work without a rest day. The overtime rate is expressly fixed at not less than twice the normal rate of wages, and for establishments operating a six day working week where monthly wages are divided by 26, no separate rest day wages are payable, a provision that rationalises the historical ambiguity on this point.

5. Payment of Wages — Contractor Liability and Deduction Caps

Where employees are engaged through a contractor, the principal employer must pay the contractor the full amount payable as wages, making the principal the first point of liability for ensuring wage compliance down the supply chain. Deductions authorised under the Code cannot exceed 50% of wages in any month, and any excess must be carried forward and recovered in instalments in succeeding wage periods, subject to the same 50% monthly cap. Part time employees engaged under agreed part time terms are not entitled to full day wages.

6. Fines and Deductions — A Mandatory Show Cause Architecture

Before imposing any fine or making any deduction for absence, damage, or loss, the employer must give the employee 7 days to show cause, whether electronically or in writing. Where no reply is received within 7 days, the fine or deduction may be imposed, but the employee must be intimated of the same within 15 days of imposition or deduction. The list of approved acts and omissions warranting fines must be displayed physically or electronically in Hindi, English, and the local language at a conspicuous place at the workplace, with a copy sent to the Inspector cum Facilitator.

7. Payment of Bonus — Contractor Liability and Set On / Set Off Mechanism

Where a contractor fails to pay bonus, the principal establishment is obligated to pay the minimum bonus to contractual employees upon written notice of such failure by the employees or their registered trade union. The set on and set off mechanism from the preceding legislation is carried forward: excess allocable surplus is set on up to 20% of total salary or wages in an accounting year, carried forward for up to four succeeding accounting years, and deficiencies in minimum bonus are likewise set off over up to four years. For partnership firms and individuals or HUFs, the prior charges permissible as deductions from gross profits are capped at 25% of gross profits or ₹5 lakhs per partner or proprietor, whichever is lower.

8. Undisbursed Dues — Nomination, Deposit, and Forfeiture

Employees must nominate a person to receive dues upon death, with nominations by employees with a family required to be in favour of the spouse or a family member, and nominations in favour of non family members are invalid where a family exists. Where dues cannot be paid to the nominee within 3 months of becoming payable, the employer must deposit the amount with the Deputy Chief Labour Commissioner (Central), who must then disburse it within 2 months of receipt. Where no nomination exists, undisbursed amounts must be deposited by the 15th day after 6 months from the date of becoming payable, and amounts remaining unclaimed for 7 years are to be dealt with as the Central Government directs.

9. Registers, Wage Slips, and Returns — Full Digitisation

Employers must maintain three mandatory registers, being the Employee Register (Form I), the Register of Wages, Overtime, Advances, Fines and Deductions (Form IV), and the Attendance Register cum Muster Roll (Form IX), electronically or in physical form, and must preserve them for 5 years from the date of the last entry. Wage slips (Form V) must be issued electronically or in physical form on or before payment of wages, and must include the UAN, bank account number, component wise wage breakup, overtime wages, and all deductions. All annual returns are to be filed electronically in the forms prescribed under the OSH&WC Code, 2020, completing the unified cross Code compliance architecture.

10. Composition of Offences — A Time Bound Pre Prosecution Route

Where an offence is compoundable under the Code, an employer may apply for composition in Form VI to the designated Gazetted Officer, and the composition amount is fixed at 50% of the maximum fine prescribed for the offence, payable within 30 days of the composition order. The compounding officer must issue a composition certificate within 10 days of receiving the amount, and failure to deposit within the specified period results in the institution of prosecution before the competent court. A group application covering multiple employees with claims arising from the same wage period or the same incident of discrimination may be filed on a single Form II, streamlining multi employee disputes.

Key Takeaway:

The Code on Wages (Central) Rules, 2026 impose a consolidated, digitised, and procedurally precise compliance framework across minimum wages, payment of wages, bonus, and equal remuneration, all previously governed by seventeen disparate sets of rules. The codification of the 26 day divisor for monthly wage computation, the biannual VDA revision mechanism, the mandatory 7 day show cause requirement before any fine or deduction, the 50% monthly deduction cap, the contractor bonus backstop for principal employers, and the fully electronic registers and returns architecture together constitute a step change in the practical compliance obligations of every Central sphere employer, irrespective of size or sector. Employers should treat 8 May 2026 as the commencement date for an immediate audit of their wage computation methodologies, deduction procedures, register formats, and nomination frameworks.

Social Security (Central) Rules, 2026

Key Employer and Aggregator Takeaways and Practical Impact

On May 8, 2026, the Ministry of Labour and Employment notified the Social Security (Central) Rules, 2026 vide G.S.R. 344(E), with immediate effect. Operating under the Code on Social Security, 2020, the Rules supersede twelve sets of central rules dating to 1924 and consolidate, in a single instrument, the procedural framework for EPF, ESI, Gratuity, Maternity Benefits, Employees' Compensation, Construction Workers' Welfare, and for the first time in India Gig and Platform Workers.

1. A Single Digital Gateway for Employer Registration

All establishments must now register on the Shram Suvidha Portal using a single common form. If a certificate of registration is not issued within 7 days of a complete application, the establishment is deemed registered and the certificate auto-generated; changes to particulars must be notified within 30 days, and cancellation applications decided within 90 days.

2. EPF and ESI Inapplicability: A New Opt-Out Architecture

Employers may now formally apply to render EPF or ESI provisions inapplicable, but only after 5 years of continuous coverage and with the written consent of a majority of employees. The CPFC or Director General must decide within 60 days; silence operates as a deemed grant.

3. ESI Contributions and Benefits Rates Now Codified

ESI contribution rates, employer at 3.25% and employee at 0.75% of wages are now codified in the Rules rather than governed by separate notifications. Employers engaging Persons with Disabilities receive a waiver of the employer's contribution for up to 3 years. Benefit rates, sickness at 70%, extended sickness at 80%, disablement and dependants' benefits at 90% are likewise now fixed, with the funeral benefit at INR 20,000, the medical confinement bonus at INR 15,000, and a free annual medical examination for insured persons aged 40 and above.

4. Maternity Benefits Consolidation Across ESIC and Non-ESIC Establishments

The Rules consolidate maternity entitlements under a single framework: 26 weeks for the first two children (reduced to 12 weeks for women with two or more surviving children), 12 weeks for adoptive and commissioning mothers, and up to one additional month for illness arising from pregnancy. Outside the ESIC framework, employers who do not provide free maternity care must pay a medical bonus of INR 3,500, with benefit payable at average daily wages, the minimum wage under the Code on Wages, 2019, or INR 200 per day whichever is highest.

5. Gratuity Streamlined Claims and Fixed Term Employment Parity

Employees must apply for gratuity within 30 days (legal heirs within 1 year); employers must respond within 15 days and pay by the 30th day via demand draft or direct bank credit. Most significantly, fixed term employees are now entitled to gratuity on completion of 1 year, with service beyond 6 months rounding up to a full year displacing the traditional 5-year threshold for this category.

6. Gig and Platform Workers: India's First Formal Social Security Framework

Every gig and platform worker aged 16 and above must register on the Central Government portal via Aadhaar; aggregators must onboard all existing worker data via API within 45 days of commencement, and register new workers in real time. Benefit eligibility requires engagement of at least 90 days with a single aggregator or 120 cumulative days across multiple aggregators in the preceding financial year. The aggregator's contribution is the higher of a notified percentage of annual turnover or 5% of amounts paid or payable to gig and platform workers (including those engaged through group entities and third parties) for the provisional return (Form-XX) due by 30 June and, on the basis of audited accounts, 5% of the liability of the aggregator to gig workers and platform workers for the final return (Form-XXI) due by 31 October, with interest at 1% per month on delayed contributions.

7. Building and Construction: Self-Assessment with Teeth

Cess must be self-assessed and paid in advance, certified by a chartered engineer; regulatory scrutiny is triggered only where the self-assessed cess exceeds ₹10 lakhs, and the assessing officer must pass an order within 180 days failing which, the self-assessment is final. Late payment attracts interest at 1% per month and penalties up to the outstanding cess amount, with good cause as a defence.

8. Unified Compliance and Annual Return

A single integrated annual return (Form-XXIII) covering all four Labour Codes must be filed online by 28/29 February each year, with all registers and records preserved electronically for 5 calendar years. Every employer must also notify each employee, at the time of hire, of their right to compensation in writing or electronically, in English, Hindi, or the official language of the area of employment, which is known to the employee.

9. Exemption Conditions — Codified and Tightened

Establishments seeking EPF or ESI exemption under section 143 of the Code must satisfy tightened conditions: at least 3 years of default-free compliance, a minimum of 500 contributory members or employees, a cumulative fund balance of at least ₹50 crore, positive net worth in each of the last 3 years, and completed Aadhaar seeding for all members. Renewal applications must be filed at least 6 months before expiry; for ESI exemptions, the ESIC Corporation must be consulted and must respond within 3 months.

10. Social Security Fund and Benefit Misuse

A dedicated Social Security Fund with separate accounts for gig and platform worker contributions is established under Rule 64, administered by a designated agency and audited by the Comptroller and Auditor General of India. Rule 69 introduces a formal deprivation mechanism: on recommendation of the competent authority, the Central Government may after a mandatory hearing notify the deprivation of Code benefits from any establishment or person found to have misused them.

Key Takeaway:

The Social Security (Central) Rules, 2026 impose immediate, specific, and wide-ranging obligations across the employer spectrum from traditional manufacturers and construction firms to technology-driven aggregator platforms. The 45-day API onboarding deadline for aggregators, the 7-day deemed registration window, the codification of ESI contribution and benefit rates, the historic gig economy contribution framework, and the unified annual return structure collectively represent a step-change in social security compliance in India. Employers and aggregators should treat 8 May 2026 as the starting point for immediate compliance action across all applicable domains.

Occupational Safety, Health and Working Conditions (Central) Rules, 2026

Key Employer Takeaways and Practical Impact

On 8 May 2026, the Ministry of Labour and Employment notified the Occupational Safety, Health and Working Conditions (Central) Rules, 2026 (*"2026 Rules"*) vide G.S.R. 345(E), published in the Gazette of India Extraordinary, with immediate effect. Enacted under the Occupational Safety, Health and Working Conditions Code, 2020, the 2026 Rules supersede fifteen sets of legacy rules spanning from 1955 to 2017, including the Dock Workers (Safety, Health and Welfare) Rules, 1990; the Building and Other Construction Workers (Regulation of Employment and Condition of Services) (Central) Rules, 1998; the Mines Rules, 1955; the Mines Rescue Rules, 1985; the Mines Vocational Training Rules, 1966; the Pithead Bath Rules, 1959; the Mines Crèche Rules, 1966; the Contract Labour (Regulation and Abolition) Central Rules, 1971; the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Central Rules, 1979; the Working Journalists (Conditions of Service) and Miscellaneous Provisions Rules, 1957; the Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Rules, 1984; the Sales Promotion Employees (Conditions of Service) Rules, 1976; the Ease of Compliance to Maintain Register under various Labour Laws Rules, 2017 (to the specified extent); the Working Journalist (Fixation of Rates of Wages) Rules, 1958; and the Working Journalists and Other Newspaper Employees Tribunal Rules, 1979, and consolidate in a single instrument the procedural framework governing registration, duties of employers and employees, occupational safety and health, welfare provisions, contract labour, inter State migrant workers, and mines.

1. Registration

Every establishment must apply electronically in Form I on the Shram Suvidha Portal, and where the application is complete in all respects, the certificate of registration must be issued within seven days, failing which registration is deemed to have occurred and the certificate is auto generated in Form III. Employers already registered under any other Central labour law must update their particulars in Form I within six months of the commencement of these Rules, and any change in particulars must be updated on the portal within thirty days of such change, with the amended certificate similarly auto generated if not issued within seven days of the update application.

2. Mandatory Appointment Letter

No employee may be employed in any establishment unless a written appointment letter has first been issued to such employee in the prescribed format, which must include the following in the prescribed format: (i) name of employee; (ii) date of birth; (iii) father's or mother's name; (iv) Aadhaar number (after obtaining consent); (v) Labour Identification Number of the establishment; (vi) Universal Account Number and/or Insurance Number (if available); (vii) designation; (viii) type of employment (regular, fixed-term, or contractual); (ix) category of skill; (x) date of joining; (xi) wages comprising basic pay and dearness allowance; (xii) other allowances including accommodation, wherever applicable; (xiii) applicability of social security benefits under EPFO and ESIC; (xiv) broad nature of duties to be performed; (xv) benefits available under Chapter VI (Maternity Benefit) of the Code on Social Security, 2020 (in the case of women employees); and (xvi) any other information. This provision applies universally across all categories of establishments covered by the Code and constitutes the foundational onboarding obligation under the 2026 Rules.

3. Accident and Dangerous Occurrence Reporting

A fatal accident must be reported forthwith to the Inspector cum Facilitator in Form XI, with simultaneous electronic and telephonic intimation to the Chief Inspector cum Facilitator, the District Magistrate or Sub Divisional Officer, the jurisdictional police station, and the family of the victim. An accident-causing disability of 48 hours or more must be reported electronically to the Inspector cum Facilitator within 12 hours after the completion of that 48-hour period, and dangerous occurrences, whether or not involving bodily injury, must similarly be intimated within 12 hours to both the Inspector-cum-Facilitator and the District Magistrate or Sub-Divisional Officer. Twenty-seven classes of dangerous occurrences are specified, covering bursting of pressurised plant, collapse of lifting appliances, explosions, outbreaks of fire, inrush of water in mines, and blowouts in oil mines, among others.

4. Safety Committee

Every establishment employing 500 or more workers must constitute a Safety Committee comprising representatives of both employers and workers, with a tenure of three years and a mandatory meeting frequency of at least once every quarter; provided that in the case of mines, the Safety Committee shall meet at least once in a month. The Central Government retains power to vary this threshold for different classes of establishments by general or special order, and the annual return in Form XVII must record whether the Safety Committee has been constituted, alongside details of manpower, welfare facilities, accidents, bonuses, and maternity benefits.

5. Welfare Provisions

A canteen must be provided at every factory, mine, construction site, beedi or cigar premises, motor transport undertaking, dock and plantation where 100 or more workers including contract labourers are ordinarily employed, with food served on a no profit no loss basis by a Canteen Managing Committee comprising equal employer and worker representatives. A creche must be maintained wherever more than 50 workers are ordinarily employed, with mandatory Closed Circuit Television monitoring during working hours, police verification of creche staff, and a feeding room. Welfare Officers must be appointed at every factory, mine, and plantation employing between 250 and up to 500 workers (at least one welfare officer), with at least one additional welfare officer for every additional 500 workers or fraction thereof over 500; and in every such establishment where both male and female workers are employed, an additional woman welfare officer must be appointed where the number of women workers is more than 100 and does not exceed 1,000.

6. Contract Labour

Contractors operating across multiple States or the whole of India may obtain a single all India licence by applying electronically on the Shram Suvidha Portal in Form XXI, and such licence must be renewed at least 30 days before expiry but not more than 90 days before expiry, with a late renewal attracting an additional fee of 25%. Where contract labour is working on the premises of the principal employer, it is the express responsibility of the principal employer to provide facilities such as toilets, washrooms, drinking water, bathing facilities, changing rooms, first aid boxes, canteen, and creche; all other entitlements remain the contractor's responsibility. Where the contractor fails to make minimum wage payments, the Chief Labour Commissioner (Central) may direct payment from the contractor's security deposit, and if the deposit is thereby reduced, the contractor must replenish it within 15 days or face suspension of licence. Additionally, under Rule 98(8), where the contractor fails to pay wages within seven days of completion of the wage period, the principal employer must make payment of wages (in full or the unpaid balance) to the contract labour within fifteen days, and is entitled to recover such amount from the contractor by deduction from amounts payable under the contract, as a debt, or from the security deposit held by the principal employer.

7. Inter State Migrant Workers — Journey Allowance and Toll-Free Helpline

The employer must pay a lump sum journey allowance to every inter State migrant worker; where a worker changes employment within 12 months and has completed 180 days with the combined employers, the current employer is responsible for paying the journey allowance on production of a certificate from the worker. A toll free helpline number is to be notified by the Director General Labour Welfare Organisation to address queries and safety concerns of inter State migrant workers, and employers must furnish statistics of such workers and their occupational safety and health electronically on the designated web portal.

8. Grievance Redressal for Contract Labour

Contract labour may submit grievances relating to health, working conditions, and wages at the level of the principal employer, who is obligated to redress them. A dedicated grievance committee must be constituted by every principal employer engaging contract labour, comprising the authorised representative of the principal employer as chairperson, along with representatives of the principal employer and the contractor, making the principal employer the nodal entity for all contract labour grievances. The grievance committee must hear and dispose of grievances within 30 days of receipt. Where a grievance is not redressed within that period, the principal employer must forward the grievance to the concerned Inspector-cum-Facilitator electronically, who is then required to inquire into the matter and ensure resolution within 60 days from the date of receipt of the forwarded grievance.

9. Annual Return and Registers

Every employer must file an annual return in Form XVII electronically to the Inspector-cum-Facilitator so as to reach on or before the 28th or 29th day of February following the end of each calendar year, covering employee categories, health and welfare facilities, retrenchment or layoffs, bonus, maternity benefits, accidents, and dangerous occurrences; the annual return comprises Part I (applicable to all establishments) and Part II (applicable additionally to mines). In addition, every contractor must separately file a half-yearly return in Form XVIII electronically to the Deputy Chief Labour Commissioner (Central) within thirty days from the close of each half year (January to June, and July to December). The register of accidents and dangerous occurrences must be maintained in Form XIX, and the register of leave with wages must be maintained in Form XX and preserved for five years after the last entry and not destroyed even thereafter unless properly transferred to a new register.

10. Composition of Offences

After every inspection, the Inspector-cum-Facilitator may issue an improvement notice in Form XXV pointing out non-compliances of the provisions of safety, health, and working conditions under the Code and directing the employer to rectify the contraventions and submit a compliance report within 30 days. Separately, where a compoundable offence is committed for the first time, the designated compounding officer may issue a compounding notice in Form XXVII under Rule 182. An employer seeking composition of a compoundable offence may apply in Form XXVI to the designated officer, and on composition the employer receives a notice in Form XXVII specifying the offence and the composition amount.

Key Takeaway:

The Occupational Safety, Health and Working Conditions (Central) Rules, 2026 consolidate fifteen legacy rule sets into a single, electronically administered compliance framework applicable across factories, mines, construction sites, dock work, plantations, motor transport undertakings, and contract labour establishments. The mandatory pre employment appointment letter obligation, the tiered accident reporting timelines of forthwith and 12 hours, the principal employer welfare facility responsibility for contract labour on its premises, the single all India contractor licence mechanism, the 100 worker canteen and 50 worker creche thresholds, and the 250-to-500 worker welfare officer mandate (applicable to factories, mines, and plantations, with one additional officer per 500 additional workers, and a mandatory additional woman welfare officer where women workers exceed 100 and do not exceed 1,000) together constitute a materially expanded compliance landscape for every Central sphere employer, irrespective of sector. Employers should treat 8 May 2026 as the commencement date for an immediate audit of their registration status, appointment letter practices, safety committee constitution, welfare facility provision, and contract labour management arrangements.

Industrial Relations (Central) Rules, 2026

Key Employer Takeaways and Practical Impact

On May 8, 2026, the Ministry of Labour & Employment notified the Industrial Relations (Central) Rules, 2026 under the Industrial Relations Code, 2020 ("**IR Code**"). The Rules operationalise several key provisions relating to standing orders, trade unions, grievance mechanisms and industrial dispute procedures. The notification also replaces substantial portions of the earlier Industrial Disputes (Central) Rules, 1957 and the Industrial Employment (Standing Orders) Central Rules, 1946.

1. Entering the Digital Era

The Rules formally recognise electronic filing, online grievance submission, electronic notices, digital record maintenance and electronic voting mechanisms. This marks a significant shift towards digitised labour compliance and is expected to push employers towards more technology-enabled HR and compliance systems.

2. Standing Orders Extend to the Service Sector

One of the most significant changes is the formal introduction of Model Standing Orders for the service sector. Historically, several service-based industries operated with relatively lower exposure to traditional industrial relations frameworks. The new Rules may increase scrutiny around workforce classification, disciplinary frameworks, termination processes and identification of "**workers**" within such establishments.

3. Easier Standing Order Compliance

The Rules introduce a deemed certification mechanism, where employers adopt the prescribed Model Standing Orders and no objection is raised within 30 days, the Standing Orders are deemed certified. This is likely to significantly reduce procedural delays and uncertainty.

4. Clearer Framework for Union Recognition

The Rules provide structured procedures for recognition of negotiating unions and negotiating councils. A trade union with at least 30% worker membership may qualify as the sole negotiating union, alongside formal membership verification and secret ballot mechanisms.

5. Structuring Workplace Grievance Handling

Industrial establishments employing 20 or more workers are now required to constitute Grievance Redressal Committees with prescribed representation and escalation mechanisms. Employers may need more formal and documented grievance handling systems with proper tracking and closure frameworks.

6. Process Driven Governance

The Rules introduce more formal compliance requirements relating to settlements, committee constitution, grievance handling, union verification and maintenance of records and registers. Industrial relations compliance is expected to become significantly more process-driven going forward.

Key Takeaway: Employers should immediately evaluate applicability of standing orders, adoption of Model Standing Orders, existing union structures, grievance redressal mechanisms and digitisation readiness of labour compliance systems. The Rules are expected to have the greatest impact on large employers and labour-intensive sectors where workforce governance and collective bargaining play a significant operational role.